

VZCZCXRO2135
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #5175/01 3130141

ZNR UUUUU ZZH
P 090141Z NOV 07
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 9400
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOC/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/J021//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 6716
RUEHFK/AMCONSUL FUKUOKA 4311
RUEHOK/AMCONSUL OSAKA KOBE 7978
RUEHNAG/AMCONSUL NAGOYA 3121
RUEHKSO/AMCONSUL SAPPORO 4988
RUEHBJ/AMEMBASSY BEIJING 0047
RUEHUL/AMEMBASSY SEOUL 6102
RUCNDT/USMISSION USUN NEW YORK 6885

UNCLAS SECTION 01 OF 14 TOKYO 005175

SIPDIS

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 11/09/07

Index:

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule (Nikkei)

Visit of Secretary Gates:

- 4) Secretary Gates meets Prime Minister Fukuda and key cabinet members (Asahi)
- 5) Good mood prevails during Defense Secretary Gates' visit (Mainichi)
- 6) Government, ruling camp giving top priority to passing new antiterrorism bill out of consideration to US, aware that largest opposition party has stumbled badly (Yomiuri)
- 7) Prime Minister Fukuda in meeting with Secretary Gates stresses early restarting of refueling operations, strong alliance relationship (Yomiuri)
- 8) Fukuda aims to resume MSDF Indian Ocean activities as soon as possible (Nikkei)
- 9) In Secretary Gates comments seems to lie a sense of alarm about the US-Japan alliance (Yomiuri)
- 10) Gates visit marked by three outstanding issues between US and Japan: halted refueling in Indian Ocean, stalled Futemna plan, and host-nation support cuts (Tokyo Shimbun)
- 11) Defense Minister Ishiba in Diet reply says US ship refueled by MSDF that returned to homeport was engaged in OEF (Yomiuri)
- 12) Yamada Corp. former managing director arrested for embezzlement;

prosecutors also probing into his cozy ties with former vice minister Moriya (Tokyo Shimbun)

13) Democratic Party of Japan (DPJ) loses momentum in opposing antiterrorism bill in the Diet due to weakened status following Ozawa caper (Mainichi)

14) DPJ head Ozawa, one day after he talked about "self-reflection" and changing ways, absents himself from the Diet session (Tokyo Shimbun)

15) China receives final yen loan of 4.6 billion yen (Asahi)

16) 90 PERCENT of procurement from Independent public corporations under discretionary contracts and not competitive bidding (Tokyo Shimbun)

17) Prime Minister Fukuda instructs fiscal and economic policy panel to come up with a new growth strategy that would keep in balance with fiscal reconstruction (Nikkei)

Articles:

1) TOP HEADLINES

Asahi: Mainichi: Yomiuri: Sankei: Tokyo Shimbun: Akahata:
Former Yamada Yoko executive director issued arrest warrant on suspicion of embezzlement of 120 million yen: Collusive ties with former Administrative Vice Defense Minister Moriya to be brought to light

Nikkei:
Prime minister orders compilation of new growth strategy at CEFP,

TOKYO 00005175 002 OF 014

eyeing both growth and fiscal reconstruction

2) EDITORIALS

Asahi:

(1) Former Yamada Yoko executive director under arrest: Shed light on suspected defense interests
(2) History book screening on mass-suicides: Screening council also called into question

Mainichi:

(1) Former Yamada Yoko executive director under arrest: Shed light on shady defense interests
(2) Two different systems for medical bills -- one with medical insurance and the other without it: Explanations given by state have not reached patients

Yomiuri:

(1) US defense secretary visits Japan: Settle individual issues to strengthen alliance with US
(2) Former Yamada Yoko executive director: Will embezzlement scandal spill over into Defense Ministry?

Nikkei:

(1) Thorough investigation into scandals involving defense interests urged
(2) Widen options for patients with double billing system

Sankei:

(1) Former Yamada Yoko executive director issued arrest warrant: Expose collusive ties with former Administrative Vice Defense Minister Moriya
(2) Mixed medical services system: Further discussion urged for sake of patients

Tokyo Shimbun:

(1) Former Yamada Yoko executive director: Expose wrongdoing concerning defense interests
(2) Turkey and Kurds: Keep war from widening

Akahata:

(1) Do not use subsidies regarding US force realignment as tool to make residents follow national policy

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, Nov. 8

NIKKEI (Page 2) (Full)
November 9, 2007

10:02

Met at the Kantei with Foreign Ministry's Deputy Foreign Minister Yabunaka, North American Affairs Bureau Director General Nishimiya, Asian and Pacific Affairs Bureau Director General Sasae, and others.

11:13

Met Chief Cabinet Secretary Machimura and Deputy Chief Cabinet Secretary Futahashi. Later, Met Economic and Fiscal Policy Minister

SIPDIS
Ota.

TOKYO 00005175 003 OF 014

13:40

Met Finance Minister Omi. Followed by advisor to Mitsubishi Corp. Makihara.

14:31

Delivered a message for video-taking for the national forum "Ties among family members and communities." Then, met Yabunaka, Sasae, and Southern Asia Department head Atsumi. Sasae stayed behind.

15:39

Met Machimura. Then, met New Komeito President Ota, with LDP Secretary General Ibuki, New Komeito Secretary General Kitagawa, and

SIPDIS
Machimura.

16:28

Met US Defense Secretary Gates, with US Ambassador Schieffer and others.

17:02

Met US Ambassador Schieffer. Later, attended a meeting of the Council on Economic and Fiscal Policy.

19:41

Returned to his private residence in Nozawa.

4) US Secretary of Defense Gates, in meeting with prime minister, expresses hope for early resumption of Japan's refueling operation

ASAHI (Page 1) (Full)
November 9, 2007

Visiting US Secretary of Defense Gates yesterday met with Prime Minister Fukuda, Defense Minister Ishiba and other key cabinet members in succession. Gates expressed a strong hope for an early resumption of Japan's Maritime Self-Defense Force's (MSDF) refueling mission in the Indian Ocean, which was halted when the Antiterrorism Special Measures Law expired (on Nov. 1). In response, Fukuda said, "We on the part of the government are making every effort to resume the mission as quickly as possible." Ishiba conveyed to Gates that the Japanese government planned to discuss a permanent law (general law) that would serve as a legal basis for Japan to dispatch the Self-Defense Forces (SDF) abroad.

Gates is visiting Japan for the first time since becoming the secretary of defense. Ahead of Fukuda's planned first visit to the

SIPDIS
United States as prime minister and at a time when it is impossible to tell when Japan resumes the refueling mission, both Japanese and

the US leaders reaffirmed the need to strengthen the bilateral alliance, but they failed to deepen discussions on individual subjects, including the realignment of the US Forces Japan (USFJ) and the host nation support (commonly called the sympathy budget).

After meeting with Fukuda, Gates met with Ishiba at the Defense Ministry. In the session, Ishiba referred to a permanent law aimed at allowing Japan to send the SDF abroad and emphasized: "The Fukuda administration is strongly aware of the need to create such a law." Noting that some in the opposition bloc are also supportive of creating such a law, Ishiba conveyed to Gates that the government would start a full-scale discussion of such legislation.

In this regard, Gates expressed his hope at a joint press briefing after the meeting: "I hope to see Japan play an active part on the

TOKYO 00005175 004 OF 014

international scene. I hope Japan will play an appropriate role as one of the leading wealthy democracies."

On the MSDF's refueling mission in the Indian Ocean, Gates said at the press briefing: "We've appreciated Japan's contribution." In response, Ishiba noted: "Japan has a responsibility to the international community to provide the refueling services. The mission is important also for the Japan-US alliance."

According to an account by the Japanese side, Gates said this of the realignment of the US forces in Japan: "The realignment plan needs to be implemented as swiftly as possible and as negotiated." He urged Japan to implement the bilateral agreement reached in May of last year, bearing in mind, for instance, the plan for the relocation of the US military's Futenma base.

On the question of the host nation support, the special agreement on which is to expire in next March, both Japan and the US agreed to finalize it as quickly as possible.

Gates also met with Foreign Minister Koumura and Chief Cabinet Secretary Machimura. In the talks between Koumura and Gates, Koumura

SIPDIS

mentioned the question of the military-civilian joint use of the Yokota Base (in Tokyo) in connection with the realignment of the USFJ and said, "We hope to continue talks in this regard, for we are going to come up with a specific plan." In response, Gates reportedly expressed disapproval, noting, "There are difficult problems."

5) US Secretary of Defense Gates makes effort to create friendly atmosphere, refraining from referring to pending issues

MAINICHI (Page 5) (Full)
November 9, 2007

US Defense Secretary Robert Gates, who is now visiting Japan for the first time since he assumed his post, met yesterday with Prime Minister Yasuo Fukuda, Foreign Minister Masahiko Koumura and Defense Minister Shigeru Ishiba, respectively. In his meetings, Gates brought up such comprehensive issues as the need for strengthening bilateral relations as the main topics. Although this was in consideration of the prime minister's planned visit to the US about one week from now, there remain many pending issues between the two countries such as the suspension of the refueling operation by the Maritime Self-Defense Force, as well as Japan's planned cut in its host-nation support (or the so-called sympathy budget) for the US forces in Japan. Gates appeared to be making an effort to create a friendly atmosphere by avoiding discussing specific topics, although he referred to some pending issues.

"I had expected that (Gates) would bring up the Futenma issue, but he did not," Koumura told the press after his meeting with Gates.

The issue of relocating the US Marine Corps' Futenma Air Station (in Ginowan) is the biggest issue in the realignment of US forces in Japan. The government held on Nov. 7 consultations with Okinawa government and municipalities for the first time in about 10 months

over the government's plan to construct an alternative facility, but Okinawa Prefecture demanded again revising the government's plan. The gap between the two sides remains unfilled.

Yesterday considerations by the defense secretary were seen

TOKYO 00005175 005 OF 014

everywhere. He did not repeat the request he made in a press conference on Nov. 1 that he wanted Japan to resume the refueling mission within several weeks. Regarding the scale of a cut in Japan's host-nation support budget, he did not refer to specifics, just saying, "Let working-level officials take charge for the time being."

In preparatory meeting for Ishiba-Gates talks, officials from the Japanese and US sided repeatedly said: "Let them focus on positive aspects," and "Let them talk about big picture issues." Although the Defense Ministry has been busy with dealing also with the scandal involving former Vice Minister Takemasa Moriya, Ishiba ordered ministry officials to check Gate's interests or hobbies and recent events. He seemed to have made efforts to building friendly ties with Gates since he was constrained from talking about specifics on pending issues.

6) Government, ruling camp giving top priority to enacting new antiterrorism bill, out of consideration for US

YOMIURI (Page 2) (Excerpts)
November 9, 2007

Giving consideration to relations with the United States, the government and ruling parties have decided to extend by 35 days the current extraordinary Diet session in order to place top priority on enacting a new antiterrorism special measures bill. Following the turmoil in the main opposition Democratic Party of Japan (DPJ or Minshuto) caused by President Ichiro Ozawa's on again off again resignation, the sense of alarm has now eased in the ruling coalition that an increasing fierce battle between the ruling and opposition camps over the antiterrorism bill would force (Prime Minister Yasuo Fukuda) to decide to dissolve the House of Representatives for a snap election. The government and ruling bloc intend to take the offensive in dealing with Diet affairs, taking advantage of their two-thirds majority in the Lower House when readopting the new antiterrorism bill (that is expected to be blocked in the Upper House).

Ruling Liberal Democratic Party (LDP) Secretary General Bunmei Ibuki, in a press conference yesterday, stated: "We have decided to extend by 35 days the Diet session to carry out intense deliberations on the new antiterrorism measures bill." He expressed his determination to put all his energy into enacting the legislation. New Komeito Secretary General Kazuo Kitagawa also stressed in a press briefing yesterday: "I believe that most members of the DPJ share the view that Japan has to contribute to the international community in preventing terrorism."

Japan's Maritime Self-Defense Force's refueling activities in the Indian Ocean were suspended on Nov. 1 when the Antiterrorism Special Measures Law expired. In case the new antiterrorism bill is carried over to the regular session next year, the MSDF refueling operation will likely be resumed next spring or after at the earliest, since the Diet must prioritize deliberations on the state budget for next fiscal year. A government official expressed anxiety, saying, "If the suspension is prolonged, Japan would lose international confidence in it and the Japan-US relationship would be damaged."

Prime Minister Fukuda is expected to tell US President George W. Bush his resolve to aim at an early resumption of the refueling operation in his first trip to the US since he took office, starting

TOKYO 00005175 006 OF 014

on the 15. He therefore cannot give up the goal of enacting the bill in the current Diet session.

In an attempt to ease the DPJ's stance of opposing the legislation, the government and ruling coalition are trying to find a way to hold consultations on revising the bill.

Moreover, they intend to re-adopt the bill in the Lower House with approval of a two-thirds majority if it is voted down in the Upper House.

7) Gov't doing utmost to resume refueling activities: Fukuda

YOMIURI (Page 2) (Full)
November 9, 2007

Prime Minister Fukuda yesterday met at his office with visiting US Secretary of Defense Gates for about 30 minutes, during which he

SIPDIS

told the Pentagon chief that the Japanese government would do its utmost to pass a new antiterror bill in order for Japan to resume the Maritime Self-Defense Force's refueling activities in the Indian Ocean. "We're doing our best for early resumption," Fukuda explained. Gates expressed hopes for the Japanese government's efforts.

"The Japan-US alliance is indispensable not only for the security of Japan but also for peace and stability in the region," Fukuda said, adding, "I'd like to continue to strengthen it." With this, Fukuda stressed his intention to give priority to Japan-US relations. Gates said: "We'd like to promote our defense cooperation with Japan in a steady way on various issues, such as the realignment of US forces in Japan. The United States will push for its Asia policy in cooperation with Japan."

Gates also met with Chief Cabinet Secretary Machimura, Foreign Minister Koumura, and Defense Minister Ishiba.

Ishiba told Gates that the government would create a permanent law (general law) that would set the standards for sending the Self-Defense Forces overseas. "I told him that this is a challenge that the government and the Diet will address," Ishiba told a news conference after meeting with Gates. Koumura and Gates agreed that the six-party talks over North Korea's nuclear development would face a "critical phase" toward the end of the year. They confirmed that Japan and the United States would work together to deal with North Korea.

8) Fukuda tells Gates that government will make maximum efforts to quickly resume MSDF refueling operation

NIKKEI (Page 2) (Full)
November 9, 2007

Visiting US Secretary of Defense Robert Gates yesterday held meetings with Prime Minister Yasuo Fukuda, Foreign Minister Masahiko Koumura, Defense Minister Shigeru Ishiba and others. Regarding the Maritime Self-Defense Force's refueling operation in the Indian Ocean, the prime minister indicated that the government is making maximum efforts for an early resumption of the operation, pledging to make utmost efforts for the early enactment of a new refueling bill. Gates expressed strong hope for a swift resumption of the operation, while expressing gratitude for Japan's contributions.

TOKYO 00005175 007 OF 014

This is Gate's first visit to Japan as defense secretary. He showed a certain level of understanding toward Japan's position that the US government should make a decision on delisting North Korea as a state sponsor of terrorism based on progress on the abduction issue.

In the meeting with the defense minister, an agreement was reached to increase cooperation on the operation of the missile defense (MD) system. The two defense chiefs also confirmed to steadily push ahead with US force realignment, such as the relocation and return of the US Marine Corps' Futenma Air Station and the planned relocation of US Marines from Okinawa to Guam, based on the final report produced

in May 2006. The dense minister also expressed eagerness to establish a permanent law allowing the government to dispatch the Self-Defense Forces on overseas missions as necessary.

In the session with the foreign minister, an agreement was reached to accelerate administrative-level talks on revising the special agreement on Japan's host-nation support (sympathy budget) for US forces in Japan that is slated to expire at the end of next March.

The series of talks was intended for the two countries to confirm common perceptions to pave the way for the Japan-US summit planned for Nov. 16. The prime minister is likely to visit the United States with an armful of homework on Japan-US relations.

The Futenma relocation consultative council involving Okinawa and Nago reopened on Nov. 7 after a hiatus of 10 months. Views with local municipalities remain wide apart. With the cost of the war on terrorism in Iraq weighing heavily on it, the US government is nervous about a reduction in the sympathy budget. Gates expressed his eagerness to settle the matter quickly to the foreign minister.

Asked yesterday by the press for his measures to deal with mounting challenges facing Japan and the United States, the prime minister said as if to remind himself: "Every country has its own problems. Problems must be overcome for important relations."

9) Gates' words indicate a sense of crisis about Japan-US alliance

YOMIURI (Page 4) (Full)
November 9, 2007

US Secretary of State Gates met with Defense Minister Ishiba and other Japanese government officials yesterday. In his meetings, Gates expressed strong hopes for Japan to resume the Maritime Self-Defense Force's refueling activities (in the Indian Ocean). He also urged Japan, an ally of the United States, to continue playing its role in the international community. The Pentagon chief came to Japan to convey his requests at a time when there is no knowing what is in store for Japan's refueling activities. His words indicated a sense of crisis about the present state of the bilateral alliance.

"We're of course paying attention to Japan's law, but we want Japan to play its appropriate role on the international stage." With this, Gates stressed his view when he met the press with Ishiba yesterday evening.

Gates, who became Pentagon chief last December, is visiting Japan for the first time. A high-ranking Pentagon official accompanying Gates explained the purpose of Gates' first visit to Japan, saying:

TOKYO 00005175 008 OF 014

"Since we usually tend to talk about the particulars of domestic politics in Japan, the secretary intends to raise discussions to a strategic level."

Prior to the visit of Gates to Japan, the opposition bloc in the Diet pursued allegations that fuel provided by MSDF supply ships was used for US military operations in Iraq. The US government was also driven to come up with details about the use of MSDF-supplied fuel.

The US side harbors some irritation at Japan. One accompanying source noted that Japan has lost sight of "the greater purposes of our alliance," such as dealing with China's military buildup and strengthening antiterror cooperation.

Gates agreed with Ishiba in yesterday's meeting to expand and deepen the bilateral alliance. However, there has been little progress in the planned realignment of US forces in Japan. In addition, Japan and the United States differ on their respective standpoints over some issues, such as the Japanese government's host nation support ("omoiyari yosan" or literally "sympathy budget") for the stationing of US forces in Japan. The two defense chiefs could not find a way out of the difficulties over these specific issues that are still casting a shadow on the two countries' discussion of the alliance and the big picture.

This is the first visit of a Pentagon chief to Japan in four years since Rumsfeld last visited Japan in 2003. Gates will meet today with lawmakers, including those with the leading opposition Democratic Party of Japan (Minshuto), and will ask them to make supraparty efforts to strengthen the alliance.

Gates negative about revisions to Futenma relocation plan

US Secretary of Defense Gates met with Defense Minister Ishiba yesterday, during which he suggested the need for Japan and the United States to expedite the planned realignment of US forces in Japan. "It should be implemented as negotiated," Gates said. In this regard, Okinawa Prefecture has been calling for the Japanese government to revise its plan to relocate Futenma airfield. Bearing this in mind, Gates indicated that he was opposed to revising the relocation plan.

10) Japan-US defense ministerial held; Bilateral alliance saddled with tough issues, such as halted refueling operation, Futenma, and sympathy budget

TOKYO SHIMBUN (Page 2) (Full)
November 9, 2007

A series of meetings took place yesterday between visiting US Defense Secretary Robert Gates and Prime Minister Yasuo Fukuda, Defense Minister Shigeru Ishiba, and other Japanese leaders. Although the prime minister and others conveyed to Gates their intention to make utmost efforts to swiftly resume the Maritime Self-Defense Force's refueling operation in the Indian Ocean, there is still no prospect for it in sight. There are numerous pending issues, such as the planned relocation of the US Marine Corps' Futenma Air Station and Japan's host-nation support ("sympathy budget") for US forces in the country. These are all tough issues that might rock the Japan-US alliance.

In the meetings yesterday, the two sides confirmed the need to

TOKYO 00005175 009 OF 014

resume the refueling operation at an early time, though there was no penetrating discussion of specifics.

At a joint press conference after the Japan-US defense ministerial, Ishiba said, "If the suspension drags on, Japan might be taken as being passive about the war on terror." Gates, on the other hand, expressed gratitude for Japan's efforts to resume the operation. The two defense chiefs played up close cooperation between the two countries for an early restart of the refueling operation.

At the same time, there is simmering dissatisfaction with Japan within the US government, as seen in such comments from officials as, "We were disappointed" with the suspension of the refueling operation. Gates, too, called for Japan to make more efforts. In a press conference on Nov. 1, he said, "I hope to see (the refueling operation) resumed comparatively early, in several weeks."

In the divided Diet, in which the opposition camp holds a majority in the House of Councillors, the Democratic Party of Japan and other opposition parties remain opposed to the new antiterrorism bill. Now that the LDP plan to form a grand coalition with the Ozawa-led DPJ has ended in failure, there is no prospect for smooth enactment of the bill.

The US government is aware that for the Japanese government at time, there is no other option but to say that it will make utmost efforts. Out of consideration for Japan, the US side expressed only hope for the early resumption of the refueling mission.

On Futenma, although the consultative council between Tokyo and Okinawa, including the affected municipalities, to discuss the relocation issue met on Nov. 7 for the first time in 10 months, the gulf between the two sides remains wide. In addition, Japan has proposed cutting the Japanese employees' pay and allowances by 10 billion yen - which are a part of the "sympathy budget." The US, however, is seeking a large increase in coverage of utility costs.

The two topics were hardly touched on in the Gates meetings. The prime minister has a heavy load of homework to do before the Japan-US summit, planned for mid-November.

11) US warship that returned home after receiving MSDF fuel engaged in OEF: Ishiba

YOMIURI (Page 4) (Full)
November 9, 2007

In December 2001, the USS Antietam, a US Navy cruiser, received fuel from a Maritime Self-Defense Force supply ship in waters off Mumbai, India, and then returned to the United States. On this issue, Defense Minister Ishiba, sitting in yesterday on the House of Representatives Special Committee on Antiterror Measures, was driven to explain.

Yoshihisa Matsuno from the leading opposition Democratic Party of Japan (Minshuto) and Tomoko Abe from the Social Democratic Party (Shaminto) asked Ishiba if he had checked the facts with the United States about the Antietam's operations and missions. "The Antietam's website says it carried out a mission for Operation Enduring Freedom (OEF)," Ishiba stated before the committee. However, when it comes to whether Ishiba checked with the US government, he only said, "There's no need to check; I think it was engaged in OEF."

TOKYO 00005175 010 OF 014

12) Former Yamada Corp. executive arrested on suspicion of embezzling over 100 million yen; Prosecutors to pursue alleged cozy ties with Moriya

TOKYO SHIMBUN (Top Play) (Excerpts)
November 9, 2007

The Tokyo District Public Prosecutors Office's special investigation squad yesterday arrested former Yamada Corp. executive managing director Motonobu Miyazaki on suspicion of embezzling approximately 120 million yen from Yamada Corp.'s subsidiary in the United States. Miyazaki lavishly entertained former Vice Defense Minister Takemasa Moriya, playing golf with him more than 200 times. Prosecutors will start a full-scale investigation to uncover the details of collusive relations between Miyazaki and Moriya.

Prosecutors also obtained an arrest warrant yesterday for Osamu Akiyama, former president of the Washington-based Yamada International Corp, a trading firm specializing in defense equipment.

After leaving the trading firm Yamada Corp. in Tokyo specializing defense and aircraft equipment, Miyazaki set up Nihon Mirise Corp. in Tokyo in September last year. Miyazaki is suspected of having instructed Akiyama to transfer approximately 120 million yen out of the hundreds of millions of yen in slush funds that were placed under the control of Akiyama to his bank account in Japan on four occasions from September last year through January this year. Prosecutors suspect that Miyazaki used most of the embezzled money for the establishment and operation of the new company.

Akiyama, now in the US, allegedly cashed checks made out under the pretext of remuneration for executives at the US subsidiary and pooled the slush funds in several bank accounts in the US under the instruction of Miyazaki.

(Commentary)

The main aim of the arrest of Miyazaki is to shed light on the details of cozy ties between Miyazaki and Moriya.

In the process of investigating a collusive bidding case involving the Defense Facilities Administration Agency in 2006, prosecutors suspected that Moriya had acted as intermediary to enable a local construction company to win an order in a construction project related to US military bases in Okinawa. Based on the suspicion, they started a secret investigation. Although the investigation was canceled in the end, prosecutors continued to collect information

about suspicions around Moriya.

It was revealed in Moriya's Diet testimony on Oct. 29 that Miyazaki had treated Moriya to free rounds of golf more than 200 times and had repeatedly wined and dined him. Prosecutors suspect that Moriya, in return for such lavish entertainment, might have given some favors to Miyazaki when the Defense Ministry (or the former Defense Agency) held bidding to procure defense equipment.

However, since Moriya's family and Miyazaki's are on good terms, as told by Moriya that he became acquainted with Miyazaki 23 years ago, it is not easy to link Moriya's favors in return for the excessive entertainment by Miyazaki to influence-peddling.

TOKYO 00005175 011 OF 014

Miyazaki reportedly had also entertained members of the defense-policy clique in the Diet and other Defense Ministry official than Moriya with huge amounts of money from the company's expense account. Prosecutors will try to find out the move and other details of the funds from Miyazaki for the time being. Since defense interests are highly confidential in view of national defense, full investigation into such cases had never been carried out. The focus of attention is on to what extent the special investigation squad will be able to clear up the truth of cozy ties between the government, the bureaucracy and the business world.

13) Government and ruling bloc may put new antiterrorism legislation to revote, anticipating that DPJ, out of fear of dissolution of Lower House, is unlikely to submit censure motion

MAINICHI (Page 2) (Full)
November 9, 2007

Tomoko Onuki

The government and the ruling bloc yesterday decided to extend the current session of the Diet for 35 days until Dec. 15, making it clear that it will aim to get the new antiterrorism legislation adopted during the current Diet session. They have now judged that the major opposition Democratic Party of Japan (DPJ), which is in turmoil caused by DPJ President Ichiro Ozawa's flip-flop on his resignation, is less likely to submit a censure motion against the Fukuda cabinet, which could trigger a dissolution of the Lower House for a snap general election. The government and ruling parties envision the possibility of again extending the Diet session in order to put the new antiterrorism legislation to a revote if the DPJ strengthens its confrontational line.

According to a source connected with the ruling parties, the governing Liberal Democratic Party's (LDP) Secretary General Bunmei Ibuki yesterday telephoned a senior official of the junior coalition partner New Komeito and sounded him out about how long the current Diet session should be extended, saying, "If (the Diet) is extended beyond Dec. 15, it would become difficult to compile a budget bill for next fiscal year." Ibuki reportedly indicated confidence in getting the new antiterrorism bill approved without affecting the work of compiling a budget bill slated for the year's end.

The government and ruling bloc were highly wary of the possibility that the new antiterrorism bill would be adopted by a two-thirds majority of votes but that a censure motion would be submitted against the government. But they have now judged that that possibility is less likely to come true given the recent turmoil in the DPJ. Even in the New Komeito, which was cautious about putting the bill to a revote, some are beginning to agree to take a revote, with one senior member saying, "We may in the end resort to it."

Meanwhile, DPJ President Ozawa emphasized his opposition to the new antiterrorism legislation at a press briefing on Nov. 7, in which he retracted his resignation as party head. However, his party, which has suffered serious damage from his flip-flop, is not ready to face a general election.

A senior DPJ official tried to forestall a rising move in the ruling bloc to put the new antiterrorism legislation to a revote, arguing,

"If that happens, we naturally have to submit a censure motion

TOKYO 00005175 012 OF 014

against the prime minister. If we don't do so, we would be criticized as being gutless." But the fact is that the party can't tell whether it should submit a censure motion, which could lead to a dissolution of the Lower House for a snap general election.

The ruling parties are still looking into the possibility of holding talks with the DPJ as to how revise the new antiterrorism legislation. They have taken a carrot-and-stick policy toward the DPJ in order to contain its move to submit a censure motion. Former Prime Minister Yoshiro Mori insisted on the need to hold policy talks with the DPJ at a general meeting yesterday of the Machimura faction. In the meeting, Mori said: "If Prime Minister Yasuo Fukuda and DPJ President Ozawa had a meeting sharing similar feelings, that's praiseworthy. It would be good for the two to discuss such problems as social welfare and the consumption tax."

14) DPJ President Ozawa absents himself from Lower House plenary session day after he offered apology

TOKYO SHIMBUN (Page 2) (Full)
November 9, 2007

Ichiro Ozawa, president of the main opposition Democratic Party of Japan (DPJ or Minshuto), absented himself from a Lower House full session and meeting of the DPJ Lower House members yesterday, the day after he withdrew his resignation as party head and offered an apology for causing a turmoil in the party.

In a meeting on Nov. 7 of the DPJ lawmakers from both Diet chambers, Yoshito Sengoku, former policy chief, urged Ozawa, who has a poor attendance record, saying, "I want you to attend sessions although you may be tired physically from your busy work." Ozawa then replied: "I take your advice seriously and I will do my best."

According to a concerned source, Ozawa called a senior party member yesterday morning and told him: "Let me stay away from sessions because I have to visit (support) organizations." The concerned source said that it was unusual for Ozawa to inform someone of his absence by phone.

Sengoku told the press: "I understand that he did not attend the sessions today for a special reason." He continued mirthlessly: "But Diet members must attend at least the full sessions of the Lower House." Ozawa, however, attended a party hosted last night by Hajime Ishii, DPJ vice president. At the event, he offered an apology, saying, "I'm sorry for having made you worry."

15) China to receive final yen loans of 46 billion yen

ASAHI (Page 4) (Excerpts)
November 9, 2007

Speaking before reporters in the Foreign Ministry yesterday, Foreign Minister Koumura revealed that the government has determined the amount of yen loans to China for FY2007. He said: "The government will provide China with its last yen loans of 46.3 billion yen and then terminate its yen loan program amicably." Yen loans occupy most of the government's official development assistance (ODA) to China. The offered money will be used by next March. With this as the last, the history of Japan's yen loans to China, which started in 1979, the year after Japan and China signed the Japan-China Peace and Friendship Treaty, will come to an end.

TOKYO 00005175 013 OF 014

In reaction to China's rapid economic growth and escalating anti-Japanese sentiment, a number of government officials and citizens have called on the government to end its yen loans to China. In the ODA project for China, the government will continue non-reimbursable aid and technical cooperation. The amount for FY2007 is down about 26 PERCENT below the 62.3 billion yen in the

previous fiscal year, and all the money will be used to finance projects to protect the environment.

16) Survey finds 90 PERCENT of contracts by independent administrative institutes with affiliated corporations were discretionary

TOKYO SHIMBUN (Page 1) (Excerpts)
November 9, 2007

According to a survey revealed yesterday by the government's administrative reform promotion headquarters, 40 independent administrative institutes of the 101 surveyed concluded contracts with affiliated corporations for construction, service and procurement in FY2005, of which 89.9 PERCENT were discretionary ones (not subject to open bidding).

The survey also found that 230 ex-officials of independent administrative institutes assumed executive posts in 236 affiliated corporations as of FY2005-FY2006. The administrative reform panel intends to urge the administrative institutions to make clearer the flow of money and personnel from independent administrative organizations to affiliated firms, as well as to review their ways to determine contractors.

17) Prime minister orders compilation of new growth strategy at CEFP, eyeing both growth and fiscal reconstruction

NIKKEI (Top Play) (Full)
November 9, 2007

Prime Minister Yasuo Fukuda during a meeting of the Council on Economic and Fiscal Policy (CEFP) ordered the compilation of a new economic strategy aimed at strengthening the nation's economic potential, noting, "I would like to see an immediate launching of efforts to consider steps to strike a proper balance regarding a new growth strategy concept and policies." In response, the CEFP will start discussions from late November, and the government will reflect the results in its medium-term guidelines "Course and Strategy" due out in January. The prime minister appears to be aiming at making economic growth and fiscal reconstruction compatible in order to realize sustainable fiscal and social security systems as well as to revitalize regional areas.

Sustainable social security system to be crafted

The prime minister during the meeting said, "I said in my policy speech that fiscal reconstruction and economic growth are two wheels of a cart. It is time for the cabinet to put together views on what strategy should be taken in light of the present situation in Japan." He indicated a plan to come up with a new policy, after probing into the efficacy of the economic growth strategy compiled by the previous Abe cabinet.

The new strategy will essentially become a Fukuda vision presenting

TOKYO 00005175 014 OF 014

the course of the administration's economic policy, according to a senior Cabinet Office official. Boosting productivity in small- and medium-size businesses and the service sector, promoting economic partnership agreements (EPA), facilitating foreign direct investment in Japan, easing regulations and reducing the corporate tax burden will likely be discussed.

The government has a goal of moving the primary balance into the black by fiscal 2011. If boosted corporate productivity pushes up growth rates, tax revenues would increase, reducing the scope of a necessary tax increase. Enhanced corporate productivity is also expected to make it easier to sustain the pension, medical service and nursing-care systems, which see payouts continue to expand due to the aging of population, by boosting insurance-related income.

The prime minister hinted at a stance of considering a tax hike to raise the government's share of paying for the basic national pension program starting fiscal 2009. With the next Lower House election close at hand, some ruling party members are increasingly

concerned about the idea of pushing a tax hike policy to the fore. The prime minister appears to have ordered the compilation a new growth strategy, motivated by the desire to give the public an impression that the cabinet is steering policies, giving consideration not only to fiscal reconstruction but also to growth.

Regarding measures to correct differences in tax revenues among regional areas, the prime minister ordered the compilation of a plan to review the distribution of revenues from two laws -- the enterprise tax and the residential tax.

SCHIEFFER